

USDA’s Division of Cooperative Marketing: *An Examination of the Dismantling of the Only Federal Support Program for Cooperatives*

July 2019

This white paper examines the background, status and predicament of the “Division of Cooperative Marketing” within the U.S. Department of Agriculture (USDA). It traces the historical foundation of farmer cooperative support within USDA and how the Division was formalized and evolved through the years. The paper then focuses on changes since 1993, when the Division became a part of the USDA Rural Development mission area during a department-wide reorganization of USDA in 1994. A case for continued Federal government support is then discussed, and concluding comments are provided. For brevity and consistency, the agency tasked with supporting cooperatives is identified most often as “Division” throughout this paper.

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Farmer Cooperative Support Formalized Within USDA

The Cooperative Marketing Act of 1926 (signed into law on July 2, 1926 by President Calvin Coolidge) authorized and directed the Secretary of Agriculture to create a “Division of Cooperative Marketing” within USDA. Marketing was defined as including “processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, financing, insurance, and other cooperative activities” (*See Reference 1*).

This legislation (H.R. 7893) by the Sixty-Ninth Congress was significant because even though USDA had previously done a few studies of farmer cooperatives, the Cooperative Marketing Act provided for the formal establishment of a comprehensive program of service to farmer cooperatives to include research, statistics, technical assistance, and education and information about U.S. farmer cooperatives and their producer-members.

The Act stemmed from the understanding of the important economic role that agricultural cooperatives play for farmers and ranchers, for consumers, for rural communities, and for the entire food and fiber economy. Helping to set the foundation for this understanding was the so-called “California” school of cooperative thought, initiated by Aaron Sapiro. He felt that cooperation could help to “correct imbalances in grower treatment and improve marketing coordination by using cooperatives organized along commodity lines to achieve more orderly marketing.”

Equally important was E.G. Nourse’s “competitive yardstick” school of thought, which, as Thomas Schomisch wrote, “views the cooperative enterprise as a yardstick for individual members to measure the performance of the capitalistic system. Cooperatives function to improve the competitive performance of the total economic system, thereby restraining the system and modifying any excesses associated with it.” (*See Notes 1 and 2, and References 2 and 3*)

As for the Federal Government’s part in administering this Act, the book by Wayne Rasmussen, *History of the Agricultural Cooperative Service* (*Reference 4*) describes the historical role that USDA has played -- how a relatively small program (by Federal government standards) had a significant impact via its assistance to cooperatives and their producer-members. Also, how it helped producers form new cooperatives as a way to improve their economic well being. Indeed, cooperation has been key to helping producers survive and thrive in an increasingly complex, changing and competitive market environment. In a nutshell, the book describes how this small, yet robust and highly active USDA Division served farmer cooperatives well in the United States from 1926 to 1991 (1991 is the last year covered by the book).

Joseph Knapp, a former administrator of the Division (when it was called the Farmer Cooperative Service), reflected on the Cooperative Marketing Act in his 1973 book, *The Advance of American Cooperative Enterprise, 1920-45*: ***“There are few pieces of legislation***

that have proven of greater long-run significance to agriculture. The Cooperative Marketing Act was so wisely drawn that it has never been necessary to amend it, although the work that it provided has been administered by several agencies of government under different political party administrations. Like the Capper-Volstead Act, it has served as a guarantee of the government’s interest in helping farmers meet their own problems through cooperative effort.” (See Reference 5)

A Robust Division Adjusts and Thrives

Through the years, USDA maintained and administered this Division under varying names (either within larger agencies, or as a stand-alone agency), but its mission of comprehensive support to farmer cooperatives never wavered. Appendix Table 1 shows the names and reporting authorities the Division has had through the years.

A snapshot of the human resources that the Division employed at various junctures up to 1993 is provided in Table 1. When the Division was created via the 1926 Act, about 44 professional and support staff performed the work of the new program. This number grew through the years as the Division matured and adjusted to the cooperative marketing environment and cooperative needs. Employee numbers reached 105 in 1968 and fluctuated other years. There were 69 staffers in 1993, prior to the merger of the Agricultural Cooperative Service (then an independent USDA agency) into the Rural Business-Cooperative Service of USDA Rural Development as part of a complete Department of Agriculture reorganization.

Table 1 - Number of USDA employees (e.g., professional and support staff) dedicated to cooperative work, select years from 1926 to 1993	
Year and Division Name	Employee Number
1926 Division of Cooperative Marketing	44
1944 Cooperative Research and Service Division (CRSD)	81
1951 CRSD	91
1968 Farmer Cooperative Service (FCS)	105
1975 FCS	88
1982 Agricultural Cooperative Service (ACS)	84
1993 ACS (prior to merge into RD)	69
Source: Division full-time permanent staffing listings.	

Division Structure and Functions in 1993

The focus in this section is to outline the work the Division conducted in 1993 (the last year it operated as a stand-alone agency before it was merged into the Rural Business-Cooperative Service). The objective is to provide context to where the program was, and how it has changed from that time to its status today (described in the next section).

In 1993, the Division was organized as three major divisions with twelve program areas. The staff of 69 included agricultural economists, marketing specialists, business development specialists, lawyers, statisticians, a rural sociologist, and support staff, all of whom were focused on serving farmer cooperatives. At this time, the Division did not have appropriated grant programs (the only grant monies used were for cooperative agreements with universities to conduct cooperative research on behalf of the Division).

Specifically, the staff included: six in top leadership (administrator, assistant administrator, statistics director, and three division directors); 12 program leaders who coordinated the work of 37 people (ag economists, marketing specialists, rural sociologist, lawyer, statistician, data entry, editor, graphic design), and 14 support staff (secretaries, administrative assistants, publication warehouse/shipping workers).

The following organizational outline depicts the offices, divisions, and program areas of the Division in 1993.

- I. Administrator's Office (administrator, assistant administrator, two secretaries, two human resources staff, one administrative assistant) [7 full-time equivalents (FTEs)]
 - A. Cooperative Statistics (director, program leader, statistician, three data entry clerks) [6 FTEs]
 - B. Cooperative Publications and Magazine unit (program leader, editor, graphic designer, administrative assistant, two warehouse workers, two special assistants) [8 FTEs]
- II. Cooperative Resource Management Division (director, two secretaries) [3 FTEs]
 - A. Strategic Management and Planning (program leader, two ag economists) [3 FTEs]
 - B. Farm Supply & Service (program leader, three ag economists) [4 FTEs]
 - C. Legal & Tax (program leader, lawyer, rural sociologist) [3 FTEs]
 - D. Finance (program leader, three ag economists) [4 FTEs]
- III. Cooperative Marketing Division (director, two secretaries) [3 FTEs]
 - A. Dairy & Livestock (program leader, two ag economists) [3 FTEs]
 - B. Fruits & Vegetables (program leader, two ag economists) [3 FTEs]
 - C. Grains & Oilseeds (program leader, two ag economists) [3 FTEs]
 - D. International Trade (program leader, two ag economists) [3 FTEs]
- IV. Cooperative Development Division (director, two secretaries) [3 FTEs]

- A. Education & Member Relations (program leader, two educational specialists) [3 FTEs]
- B. Feasibility (program leader, two ag economists, two development specialists) [5 FTEs]
- C. Field Offices (Ohio, North Carolina, Hawaii: one ag economist in each) [3 FTEs]

These 69 staff conducted this work:

- Provided extensive technical advisory services to existing farmer cooperatives needing and requesting assistance (to improve operations and services to members), and to producers needing help in all aspects of the development process of forming new farmer cooperatives.
- Continuously built upon the Division's already extensive body of farmer cooperative research. From time to time, land-grant universities assisted in this effort through cooperative agreements when funds were available.
- Developed educational materials and programs for cooperatives to teach their members and directors, and to aid others interested in learning about this unique self-help business model, governed according to the democratic principles of one-member, one-vote.
- Collected and analyzed statistics (done informally in 1913 and then formalized with the Cooperative Marketing Act) to track the status and position of farmer cooperatives over time. These statistics are used by researchers, students, rural residents, consultants, other agribusinesses, and for providing critical benchmarks for the cooperatives themselves to gauge their performance. No other enterprise in the United States collects the same comprehensive set of valuable cooperative data. Farmer cooperatives have voluntarily provided these statistics enthusiastically every year.
- Produced the award-winning magazine *Farmer Cooperative News* (first issued in April, 1934), that became *Rural Cooperatives* magazine, until its final issue of January/February 2018. Between the magazine and other cooperative publications, the Division would sometimes circulate nearly 100,000 cooperative publications per year.
- Operated three field offices (North Carolina, Ohio, and Hawaii) and had significant development staff in the national office that conducted direct cooperative development technical assistance.
- Provided timely expert advice to cooperative managers and directors on issues and problems their cooperatives faced, which was often needed on a very short turnaround.
- Gave speeches and talks at events such as cooperative annual meetings, board of director retreats, and to gatherings of regional cooperative groups.
- Worked on a wide-array of issues with other cooperative organizations, such as State and Regional cooperative councils, national trade organizations, universities, business and financial consultants, and farm organizations, such as the National Farmers Union, National Grange, and Farm Bureau. Division staff also worked with regional research committees (e.g. NCERA-210, Regional Research Project on Cooperatives:

(<https://sites.google.com/site/nceracooperatives/home>), youth groups (notably 4H and FFA), and special cooperative-related youth camps.

Description of Division Major Functions

This section provides brief descriptions of each of the Division's major function areas in 1993, reflecting the focus of its work since 1926.

Cooperative Development Assistance

The Division provided cooperative development assistance directly to producers interested in forming a new cooperative to meet an economic need (such as higher payment for crops, access to better quality and more affordable farm supplies, to build and operate processing plants, grain storage facilities and feed mills, etc.). Staff agricultural economists and marketing specialists traveled nationwide, conducting comprehensive cooperative development technical assistance. This work included education about the cooperative business model and steps involved in forming a new cooperative, conducting feasibility analysis, and providing hands-on guidance in the development of a business plan necessary for producers to make a sound decision about whether to launch a co-op.

Technical Assistance with Existing Cooperatives

The Division was able to work on about 50 technical assistance projects with existing cooperatives each year. Most of these projects were with small- to medium-sized local cooperatives looking for help to address a wide variety of needs. Examples of this work included feasibility studies for mergers and consolidations, feasibility studies for new plants or operations, management and operational audits, advice on existing operations, help with board of directors training, strategic planning, and any other issues a cooperative might face. These types of consulting projects were requested by the cooperatives themselves. Once the Division accepted the request, staff and resources were assigned and the work immediately commenced.

The Division was able to act as an objective third party, helping the cooperative deal with often emotionally difficult predicaments and circumstances. The Division's unique cooperative expertise -- bolstered by its access to cooperative statistics and in-house cooperative research -- provided other advantages. This work was usually not "high profile" in the overall co-op community or at USDA, because the work and reports developed were confidential. Thus, in most cases only the cooperative requesting and receiving assistance was aware of the work.

Cooperative Research

The Division conducted both applied and rigorous cooperative research within distinct program areas. It developed an extensive library of research designed to help improve cooperative

operations. Research topics included cooperative operations and practices, industry status and structure, commodity issues, statistical analysis and trends, legal foundation of cooperatives, etc. Commodities and practices covered included dairy and livestock, grains and oilseeds, fruit and vegetables, farm supplies, transportation, international trade, cooperative theory, finance and equity, governance, membership, cooperative structure, legal issues, strategic planning and many more topics.

The Division's research resulted in hundreds of reports, with many new studies added to the library every year. Today, the library of more than 180 publications resides at this website: <https://www.rd.usda.gov/publications/publications-cooperatives>; hard copies for many co-op reports are still available.

Education

The Division's library also includes co-op educational reports under the Cooperative Information Report (CIR) series. These pamphlets, bulletins, handbooks and reports have been widely used by cooperatives, researchers, educators, students, developers, rural residents, producers, and others interested in the cooperative form of business. The most popular publications -- such as *Co-ops 101*, *How to Start a Cooperative*, *Cooperative Essentials*, *State Cooperative Statutes*, etc. -- have been periodically revised so that the information is kept up-to-date and relevant.

Educational activities included workshops for cooperative boards, members, employees, co-op developers, and the general public on many co-op topics. Cooperative principles and basics, finance and equity management, general management issues, member and director responsibilities, board/management relations, and strategic planning were common topics in educational forums. Cooperative curriculums were developed in both hard copy and electronic formats for distribution to cooperatives, educators, and others.

The Division regularly helped organize and participated in national and regional cooperative educational conferences, whereby an exchange of ideas and best educational practices were important activities.

Statistics

No other organization or entity in the country, other than USDA (via this Division), collects a comprehensive set of statistical variables on an annual basis from the population of farmer cooperatives. The Division surveys all U.S. farmer cooperatives every year to compile financial, operational (i.e., commodities handled, supply inputs sold, services provided), and structural and membership data. It also sometimes conducts additional surveys to collect special study data (the 2017 dairy cooperative marketing operations study is the most recent example). With the data, analyzed and aggregated, the Division develops an annual statistical report, writes articles and papers on various analyses (such as co-op state volumes of commodities, supplies, and services, Top 100 cooperatives, cooperative employee profile, etc.), provides special

aggregate analyses requested by cooperatives, universities, federal and state agencies, and others on a regular basis, and provides data used in other studies.

Cooperative Magazine

Begun in April 1934 (although a cooperative newsletter had been published prior to then), the Division's cooperative magazine was USDA's oldest periodical and was a keystone of the Division. During its 84-years of production, the magazine was the single biggest tool used to fulfill USDA's duty (under the Cooperative Marketing Act) to promote understanding and use of the co-op business model. It was aimed not just at the "co-op community," but also the general public, financial lenders, ag and business teachers, government leaders, Extension agents, cooperative developers and many others. A glance back at issues from any decade show the breadth and depth of the articles and stories written about cooperatives. Article topics included cooperative business strategies, profiles of successful cooperatives, cooperative development "how to" stories, statistical survey highlights, cooperative marketing innovations, communications/public relations challenges and effective member relations practices, to name but a few topics. An underlying goal was always to show the vital role cooperatives play in strengthening the nation's rural economy. In addition to farmer cooperative articles, coverage in recent years included a few on utility, grocery, financial services and worker-owned cooperatives, among other types.

The magazine always provided a wealth of information about cooperative principles, practices, and activities. It was a critical part of farmer cooperatives' education and an important way for cooperative leaders and members, as well as many others, to keep abreast of cooperative industry trends and happenings. Most articles were written by Division staff with expertise of cooperative operations and issues. In recent years, the magazine was produced with a skeletal staff (for its last several years, it operated with an editorial staff of less than one fulltime person). This was possible in part thanks to the significant support from the cooperative community, which supplied many of the articles and photos. Despite the gutting of the editorial and overall Division staff, the magazine was still honored as the nation's second best cooperative journal by the Cooperative Communicators Association in 2018.

By telling the cooperative story in myriad ways, the magazine developed a strong following. At its end in early 2018, the magazine had a print circulation of about 8,000 and an additional 8,000 electronic subscribers. Many more non-subscribers would also read the magazine online.

The Division Since 1993

With the merger of the Agricultural Cooperative Service into Rural Development (RD) as part of the newly formed Rural Business-Cooperative Service (RBS) in 1994, changes to the Division began to take shape almost immediately. This section provides a summary of those changes. It should be noted that previous mergers of the Division into other USDA entities in past years (as

shown in Appendix Table 1) did not result in any type of diminishment of the work of the Division, and leadership ensured that it maintained its focus on comprehensive service to farmer cooperatives.

Through the 1990s, the Division was largely able to continue its core-mission cooperative work. However, slowly but surely, FTEs were taken away as staff retired or left for other reasons. Table 2 shows how staff has changed since 1993. The first reduction was from 69 to 58, resulting both from attrition and by a number of staff being moved from the Division to RD's legislative and public affairs staff (LAPAS).

By 2005, some staff that had been mostly working on core-mission cooperative work during the 1990s and early 2000s were now only focusing on administering grants -- the RCDG program and a new value-added producer grant (VAPG) program.

Table 2 - Number of Employees (professional and support staff) for Cooperative Work, from 1993 to Present	
Year and Division Name	Employee Number
1993 ACS	69
1994 Cooperative Services (magazine and publications staff moved to Legislative Affairs)	58
2005 Cooperative Services (6 employees not included*)	31
2009 Cooperative Programs (6 employees not included*)	24
2019 Research and Policy within Community Economic Development*	6
Source: Agency staffing listings. *Employee number does not include staff working in RCDG and Value Added Producer Grants.	

NOTE: In 2004 and into early 2005, RD leadership initiated an outside review of the Division's core-mission cooperative work. A review team of 11 outside professionals was assembled (three from universities, two from farmer cooperatives, four from other co-op related organizations, one farmer, and one lawyer). After interviews with Division staff and a thorough review of the Division's core-mission work and its plan for future research, the review team provided its report in January 2005. Its first observation was: "Co-op Service staff is dedicated and committed to serving cooperatives. The collection of expertise on cooperatives is found nowhere else on the federal level and likely no where else in the world." Overall, this review team came away impressed with the work done by the Division, but did point out some deficiencies (created largely by removal of the FTEs and the lack of cooperative focus by RD leadership) that needed

to be addressed, such as the need for leadership with expertise in cooperatives, an infusion of additional staff with advanced degrees and intellectual capital in crucial areas. The report called for the combining of existing expertise with some new blood, and to forge new cooperative research agreements. Research should address more contemporary cooperative issues (including legal, organizational, financial, and economic issues).

The review team also said staff should be encouraged to participate with other professionals and to attend cooperative conferences and meetings. To thrive, they said, the Division needed a clear commitment by RD leadership to support service to rural cooperatives. However, few, if any, of the recommendations of this review team were followed.

By 2009, total staff working on core-mission cooperative work was reduced to 24, with some staff lost when shifted from the Division to other programs in Rural Development. Other staffers were lost to retirement or to other pursuits, and the open FTEs were largely shifted to other RD programs.

Lack of support for the cooperative program within RD is viewed by many as a direct result of the “cultural conflict” between an agency that is almost entirely focused on making loans and grants, versus the Division’s focus on education, research, statistics, technical assistance and cooperative development. “The agency was basically doomed once USDA moved the cooperative program to Rural Development,” one former program leader said.

As of July 2019, almost the entire staff has been depleted. The Division now consists of an assistant deputy administrator who, by direction of RD political leadership, is largely tasked with overseeing the loan and grant programs placed under the Division and other RD non-cooperative related duties assigned. (It should be noted that the loan and grants programs are not true cooperative programs. For example, a large majority of recipients of Value Added Producer Grants are not cooperatives.)

The current staff consists of one secretary, one agricultural economist, one legal staffer (working under a one-year renewable contract), one rural sociologist, and one administrative assistant for a total of three professional staff and two support staff conducting all the core cooperative work.

The bottom line is that the current arrangement of the Division is not able to even come close to meeting the mission it is charged with under the Cooperative Marketing Act.

Even further Division degradation has been planned: On November 30, 2018, the Secretary of Agriculture sent a letter to Representative Robert Aderholt -- then the chairman of the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies -- indicating that he intended to move the Division’s three agricultural economists (one of whom retired in early January 2019) and one rural sociologist remaining in the Division to the Agricultural Marketing Service. The portion of the letter (see *Note 3*) detailing this move did not include moving the support staff currently assisting with ongoing cooperative work, or the

one-year contract Cooperative Policy Analyst working on cooperative legal issues and policy. Furthermore, the letter misrepresents the work still being done by the Division. Even with the loss of the cooperative magazine, because there are other functions still being performed, including cooperative statistics, research, and legal work. At present, these staff moves have not been made, but the “unknown” status of the proposal has further damaged the morale of the remaining Division staff.

Functional Changes That Have Occurred

This section touches on the changes that have taken place to the major functions of the Division since 1994 and up to March 2019.

Cooperative Development Assistance Changes

The work the Division conducted with producers interested in forming new cooperatives began to change when the Rural Cooperative Development Grant (RCDG) program was developed and funded by Congress in 1994. USDA tasked the Division with administering this new program. The RCDG program provides competitive grants to cooperative development centers around the Nation. The management and implementation of this program took resources, previously dedicated to cooperative research, technical assistance, and development work, away from the Division. However, the Division administered the program and attempted to hold the funded centers accountable for their cooperative development work.

Today, no cooperative development work is done in-house at USDA, and there is no staff experienced in cooperative operations to provide oversight of the funded centers. Thus, the RCDG-funded centers are alone in this endeavor, with no expertise in the Division to assist them or monitor their efforts, aside from one or two individuals with development experience in RD field offices.

Technical Assistance with Existing Cooperatives Changes

As Division staffing has decreased in the years since 1993, ability to respond to technical assistance requests from individual cooperatives has nearly ended. Since 2000, the number of such projects can be counted on one hand. Nor does the Division promote its ability to provide technical assistance, since it lacks the staff to do so.

Education Work Diminished

In recent years, cooperative education work has largely consisted of updating and revising the Division’s popular and widely used cooperative educational reports and related materials. On a fairly regular basis, revisions have been made to *Co-ops 101* (the Division’s most popular educational booklet, which is used by teachers, development practitioners, cooperatives, students and others), *Cooperative Essentials*, *How to Start a Cooperative*, *Do Yourself a Favor:*

Join a Cooperative, Cooperative Feasibility Study Guide, and a few others. These revisions have been done largely by staff as collateral duties (usually initiated when hard copies have been in low supply and reprinting was needed).

In 2014, the University of Southern New Hampshire released a report: “Cooperative Education Inventory Study” (*Reference 6*). One conclusion that study made about the Division’s cooperative educational materials was “...they provide the field with the most extensive source of educational resources on their website.” So, even with limited resources, the Division still scored high in that area at that time. Going forward under current circumstances, however, it will be impossible for the Division to maintain that score.

Research Capacity Slashed

The once extensive research capacity of the Division has been nearly brought to a halt. Any research, beyond the annual statistical reports, is piecemeal, at best. Specific research on all the commodity sectors was mostly lost years ago. Dairy was the one exception (given that dairy cooperatives handle more than 80 percent of the Nation’s milk), but that commodity program was killed in 2015 through the failure to replace departed staff. Research in other applied areas has halted as well, such as strategic management and planning, international trade, and farm supplies. Sound legal work has recently been done, including a formidable project of documenting changing state cooperative statutes and providing materials on other legal issues affecting cooperatives.

But much more work is needed, given the changes in tax and legal conditions cooperatives are facing. Other important research has been done as well, resulting in professional papers, journal articles and book chapters. But, overall, continued attrition and a lack of support has taken a heavy toll on the research function.

Limited Statistics Program Continues

Farmer cooperative statistics are still collected annually, analyzed, aggregated and made available in various forms to cooperatives, researchers, and other interested parties. Critical cooperative benchmark statistics are developed for cooperatives and other agribusinesses to measure against. But the ability of the Division to do more with the cooperative statistics collected is severely limited. At present, there is just one agricultural economist managing the system and working closely with the cooperatives providing data. That is simply insufficient because it doesn’t allow for more research to be done with the data. This is a travesty, given that farmer cooperatives voluntarily provide data to the Division each year in good faith that sound and comprehensive analyses will be conducted. This is another significant research limitation of the Division.

Cooperative Magazine Gone

Suddenly, in early 2018 -- with all articles and photos ready for layout of the March-April issue of Rural Cooperatives -- USDA halted production of this award-winning magazine. After 84 years of publication, the Division was not even able to publish this nearly completed last issue, and thus no notice was ever given to readers that the magazine would no longer be published.

The loss of this magazine -- which was also the primary vehicle for informing the public when USDA had new or updated cooperative reports available -- has been a severe blow to the overall functioning of the Division. The magazine became even more critical in recent years, given limited printing and promotion resources in other areas. Its loss, as a popular and important vehicle of information for the expansive cooperative community, is immeasurable.

Professional Synergy Loss

The significant loss of staff of the Division has seriously hurt the professional relationships that USDA once enjoyed with cooperatives, cooperative trade associations, land-grant universities, cooperative councils, cooperative development centers, state departments of agriculture, and many others. Those relationships blossomed over the years, providing staff of the Division with important ideas and strategy for pursuing new cooperative research, issue analysis and educational efforts.

The Case for Continued USDA Support of Co-ops

The structure of cooperatives continues to evolve with the changing makeup of production agriculture. In some sectors -- such as dairy, grain and farm supplies -- there has been a decrease in co-op numbers, due to mergers and acquisitions, although there has been some increase in cooperative numbers for specialty crops. The Division reported the existence of 1,871 farmer cooperatives in 2017 (with nearly 1.9 million producer members), down from 1,953 in 2016. Despite fewer numbers, a number of these cooperatives are larger and more complex, and face issues and questions requiring research and analysis, including technical assistance, in some cases.

Since the beginning of the cooperative movement, education of the cooperative model has been paramount. As cooperatives adjust to their changing environment today its importance continues. The emergence of new cooperatives in local and regional markets create further educational demand.

The RCDG funded centers provide state, and in some cases, regional, cooperative development work, but they are not equipped to conduct, on a national level, a complete body of the educational and research work needed to compliment their development activities. A fully

staffed Division would be able to supplement these funded development centers providing more bang for the buck of the RCDG program and jointly assist in their development efforts.

The need and support for a Division of Cooperative Marketing is also heightened by the decreasing number of educational and analytical specialists in the land grant university system that focus work on the cooperative business model.

The Division has been the keystone of cooperative research, statistics, technical assistance, and education in the United States since it was formalized. Without this work, often in conjunction with others outside USDA, rural and farmer cooperatives will ultimately suffer and almost certainly will have less of a positive impact on the local and rural economies in which they reside. However, continuing this important work will greatly enhance the operations and performance of today's remaining (and newly forming) farmer cooperatives while further contributing to the economic soundness of farmers, rural communities, and the economy overall. It will also extend the internal role within USDA of advising on policy issues related to cooperatives.

Conclusion

The objective of this paper is to bring attention to what has happened to the Division of Cooperative Marketing in recent years -- in effect, it has been crushed and demoralized -- and to prompt discussion and a plan of action to shore up USDA's role in assisting farmer cooperatives.

It has been argued that the Division was most efficient and effective, and less bureaucratic, when it enjoyed independent agency status within USDA (as the Farmer Cooperative Service for 24 years, and the Agricultural Cooperative Service for 14 years). There is merit to that argument because an independent agency enjoys solidified leadership, greater focus, faster decision making, more cohesion, and ability to employ dedicated resources when and how necessary.

That said, any increase in funding and FTE resources to the Division as it now resides in RD, or if moved to another USDA mission area, would be a great help, as long as the resources are sufficient and well deployed to properly serve cooperatives. It appears highly unlikely that the Division will ever again expand to the high number of personnel it once enjoyed. But even a small cooperative office with staff experienced in cooperative operations, along with dedicated leadership, could be effective and, at minimal cost, help ensure that the nation's cooperative sector continues to thrive. A recommitment to dedicated core-mission cooperative work is an imperative if USDA is to meet the letter of the law and show the necessary adherence to the Cooperative Marketing Act.

Appendix

Appendix Table 1 - USDA Cooperative Work and Division Structural Changes			
Year	Name	Agency, Department	Notes
1901	No formal program	Bureau of Statistics, USDA	Unpublished manuscript reported on types of farmer cooperatives in U.S.
1913	No formal program	Office of Markets, Rural Organization Service, USDA	Studies of cooperative marketing and distribution done
1921	Division of Cooperative Relations	Bureau of Markets and Crop Estimates, USDA	Program, but not established by law.
1922	Division of Agricultural Cooperation	Bureau of Agricultural Economics, USDA	Program, but not established by law
1926	Division of Cooperative Marketing	Bureau of Agricultural Economics, USDA	Established by the Cooperative Marketing Act of 1926
1929	Division of Cooperative Marketing	Federal Farm Board, USDA	Magazine: News for Farmer Cooperatives begins in 1934; ended in 2018
1933	Division of Cooperative Marketing	Cooperative Bank Division of new Farm Credit Administration, USDA	Farm Credit Administration
1939	Cooperative Research and Service Division (CRSD)	Farm Credit Administration, USDA	First name change since 1926 Act.
1953	Farmer Cooperative Service (FCS)	Reported to Assistant Secretary of Agriculture for Federal-States Relations, USDA	First time for independent Agency status. Stayed within USDA; Farm Credit Administration became independent Agency
1962	Farmer Cooperative Service	Reported to Assistant Secretary for Rural Development, USDA	Five different administrators ran FCS (under that name for 24 years)
1970	Farmer Cooperative Service	Reported to Director of Agricultural Economics	
1977	Economics, Statistics and Cooperative Service (ESCS)	Reported to Assistant Secretary for Economics and Policy Analysis	
1980	Agricultural Cooperative Service (ACS)	Reported to Assistant Secretary for Marketing and Transportation Services and then the UnderSecretary of Marketing and Regulatory Programs	Second time with Independent Agency status, lasted 14 years.
1994	Cooperative Services	Part of Rural Business-Cooperative Service (RBS), Rural Development mission area (reporting to undersecretary of Rural Development)	Also first year Rural Cooperative Development Grant Program began.
2006	Cooperative Programs	Still part of RBS	Loss of FTEs increased. Few replacements for positions of people leaving.
2014	Community Economic Development Research & Policy Division	Cooperative Programs, RBS, RD	First time the term "cooperative" not used in the unit with employees conducting cooperative work.

Notes

Note 1: Torgerson, Reynolds, and Gray provided a review of past and recent developments in cooperative thought and theory in their presentation at the Conference on “Cooperatives: Their Importance in the Future of the Food and Agricultural System” Food and Agricultural Marketing Consortium, Las Vegas, NV, 1997. (See *Reference 2*)

Note 2: Schomisch, in his paper about Edwin G. Nourse and the competitive yardstick school of thought, also described “three points where cooperatives exert a competitive influence in the agricultural economy within the framework of the competitive yardstick school of thought. (1) Cooperatives introduce any inputs or services not currently supplied by the capitalistic system, (2) Cooperatives seek to hold down prices of supplies and services for production, (3) Cooperatives seek to raise prices received for commodities within limits of acceptable price variation.” (See *Reference 3*)

Note 3: Paragraph 14 of a letter from the Secretary of Agriculture to Robert Aderholt dated November 30, 2018 reads: “*RD will also eliminate the Cooperative Magazine that ceased publication in February 2018 and reassign associated RBS staff. This magazine was published by the Research and Education Branch within RBS. Without this publication, there is no function for this branch. The staff consists of one Public Affairs Specialist, three Agricultural Economists, one Rural Sociologist, one Secretary, one Office Automation Assistant, one Agricultural Policy Analyst. We propose to relocate the Public Affairs Specialist to the RD Office of External Affairs, and the Agricultural Economists and Rural Sociologist to the USDA Agricultural Marketing Service. The remaining positions referenced will stay within RBS.*” The Public Affairs Specialist (December 2018) and one Agricultural Economist (January 2019) alluded to in the letter have since retired.

References

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- (2) Randall Torgerson, Bruce Reynolds, Thomas Gray, “Evolution of Cooperative Thought, Theory and Purpose, Journal of Cooperatives, Volume 13, 1998. Published by National Council of Farmer Cooperatives, Washington, D.C. <http://ageconsearch.umn.edu/bitstream/46359/2/Journal%20of%20Cooperative%201998.pdf%20front%20material.pdf>
- (3) Schomisch, Thomas P., Edwin G. Nourse and The Competitive Yardstick School of Thought., UCC Occasional Paper, No. 2, July 1979, University of Wisconsin Center of Cooperatives, Madison Wisconsin. <http://www.uwcc.wisc.edu/info/ocpap/edwin.html>
- (4) Wayne D. Rasmussen, Farmers, Cooperatives, and USDA: A History of Agricultural Cooperative Service, U.S. Department of Agriculture, Agricultural Information Bulletin 621, July, 1991.

- (5) Knapp, Joseph G., The Advance of American Cooperative Enterprise: 1920-45, Danville: Interstate Publishers and Printers, 1973.
- (6) Amendah, Eklou, and Christina Clamp, “Cooperative Education Inventory Study,” Center for Cooperatives & CED, Southern New Hampshire University, February 2014.
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[This paper was authored by several former employees of the Division of Cooperative Marketing who continue to believe that an adequately staffed and supported Division within USDA to assist farmer cooperatives is an imperative to the efficiency and effectiveness of U.S. farmers, production agriculture, and the agricultural and rural economies.]